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**Title: Business Closure Tax Adjustment Policy**

**Resolution Number: #25-30**

**Policy Number: 102**

**Date Approved: February 4, 2025**

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## **PURPOSE:**

To create a fair and efficient tax adjustment framework that accounts for the financial realities faced by businesses during closures, minimizing undue burdens while ensuring compliance with tax obligations.

## **1. Scope of the Policy**

This policy applies to businesses that:

- Permanently cease operations.
- Close as part of bankruptcy or insolvency proceedings.

## **2. Key Principles**

- **Fairness:** Ensure equitable treatment of businesses by adjusting tax obligations based on their operating period and financial circumstances.
- **Clarity:** Provide clear guidelines to businesses on how to request tax adjustments.
- **Efficiency:** Minimize administrative delays in processing tax adjustments and refunds.
- **Encouragement of Compliance:** Incentivize businesses to voluntarily disclose their closure status and fulfill any remaining tax obligations.

## **3. Policy Measures**

### **3.1. Tax Proration for the Year of Closure**

- Taxes will be calculated based on the period of active business operations during the fiscal year.
  - Example: A business that operated for 6 months in a 12-month fiscal year will only pay taxes on revenues or activities for those 6 months.

### **3.2. Refunds of Prepaid Taxes**

- Businesses that prepaid taxes may request a proportional refund or credit for the inactive period.
- Refund requests must be supported by proof of closure, such as:
  - Final financial statements.
  - Closure notifications to licensing or regulatory authorities.
  - A closure Affidavit



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### **3.4. Bankruptcy or Insolvency Adjustments**

- Taxes owed by businesses undergoing bankruptcy or insolvency proceedings will be adjusted in accordance with applicable laws, prioritizing secured creditors and ensuring fairness to other stakeholders.

## **4. Application and Documentation Requirements**

To qualify for tax adjustments, businesses must:

- Notify the town within 30 days of closure or suspension of operations.
- Submit:
  - A closure affidavit
  - Relevant financial records, including profit/loss statements for the year.
  - Details of taxes already paid.

### **REVISION HISTORY:**

<b>Revision:</b>	<b>Author:</b>	<b>Change Made:</b>	<b>Date:</b>